



SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE
STATEMENT OF ESTIMATED FISCAL IMPACT
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This fiscal impact statement is produced in compliance with the South Carolina Code of Laws and House and Senate rules. The focus of the analysis is on governmental expenditure and revenue impacts and may not provide a comprehensive summary of the legislation.

Bill Number:	H. 3811	Introduced on January 25, 2023
Author:	Elliott	
Subject:	Industry Partnership Fund Tax Credit	
Requestor:	House Ways and Means	
RFA Analyst(s):	Jolliff	
Impact Date:	March 27, 2023	

Fiscal Impact Summary

This bill increases the total amount of Industry Partnership Fund tax credits that may be issued for tax years after 2022 from \$9,000,000 to \$12,000,000.

We anticipate that the Department of Revenue (DOR) will implement the necessary changes to the tax credit forms in the annual updates to forms and instructions. Therefore, the bill is not expected to impact expenditures for the agency.

The bill may reduce General Fund revenue from individual or corporate income tax, corporate license fees, bank tax, or insurance tax, or some combination thereof, by \$3,000,000 beginning in FY 2023-24. The timing of the impact may shift if taxpayers do not have sufficient tax liability to utilize the credits and carry forward unused credits to future tax years.

Explanation of Fiscal Impact

Introduced on January 25, 2023

State Expenditure

This bill increases the total amount of Industry Partnership Fund tax credits that may be issued for tax years after 2022 from \$9,000,000 to \$12,000,000. We anticipate that DOR will implement the necessary changes to the tax credit forms in the annual updates to forms and instructions. Therefore, the bill is not expected to impact expenditures for the agency.

State Revenue

This bill increases the total amount of Industry Partnership Fund tax credits that may be issued for tax years after 2022 from \$9,000,000 to \$12,000,000. Taxpayers who contribute to the Industry Partnership Fund at the SC Research Authority (SCRA) or an SCRA designated affiliate, or both, are allowed a tax credit against individual or corporate income tax, corporate license fees, bank tax, or insurance tax. Currently, the tax credit is limited to an aggregate of \$9,000,000 and may be carried forward for ten tax years. The bill increases the aggregate limit to \$12,000,000 per tax year beginning in 2023.

From 2019 to 2021, contributions did not reach the limit due to changes in federal tax law regulations that made contributions less favorable. However, Act 172 of 2022 increased the

allowable credit amount for individual taxpayers from \$250,000 to \$500,000. Further, if the aggregate limit is not met within 60 days of the annual opening date for applications, the Act increased the maximum credit per taxpayer to \$1,000,000, subject to the aggregate limit. This change resulted in total contributions reaching the \$9,000,000 limit in 2022. The table below provides the contributions to the fund in recent years as reported by SCRA.

Contributions to the Industry Partnership Fund

Year	Amount	Contributors	Average Per Contributor
2018	\$6,000,000	111	\$54,054
2019	\$3,066,317	68	\$45,093
2020	\$3,755,740	93	\$40,384
2021	\$6,706,800	154	\$43,550
2022	\$9,000,000	177	\$50,847

Source: S.C. Research Authority

Based upon available data from DOR, we believe that these contributions have been taken as tax credits against individual and corporate income taxes in recent years, although the credits may also be taken against bank or insurance taxes. Based on the changes in Act 172, we anticipate that total tax credits may reach the new annual limit beginning in tax year 2023. Therefore, the bill may reduce General Fund revenue from individual or corporate income tax, corporate license fees, bank tax, or insurance tax, or some combination thereof, by \$3,000,000 in FY 2023-24. The timing of the impact may shift if taxpayers do not have sufficient tax liability to utilize the credits and carry forward unused credits to future tax years.

Local Expenditure

N/A

Local Revenue

N/A

Frank A. Rainwater, Executive Director